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FM AMEMBASSY JAKARTA
TO RUEHC/SECSTATE WASHDC 6062
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RUEHBJ/AMEMBASSY BEIJING 4269
RUEHBY/AMEMBASSY CANBERRA 1104
RUEHDT/AMEMBASSY DILI 0867
RUEHUL/AMEMBASSY SEOUL 4164
RUEHKO/AMEMBASSY TOKYO 0732
RUEHHK/AMCONSUL HONG KONG 2367
RUEHJS/AMCONSUL SURABAYA 1921
RUEAIIA/CIA WASHDC
RUQODAZ/CARIBROC KEY WEST FL
RHHJJPI/PACOM IDHS HONOLULU HI
RUCPDO/DEPT OF COMMERCE WASHDC

UNCLAS SECTION 01 OF 02 JAKARTA 002433

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FOR EAP/MTS; EB/TPP/IPE; EB/TPP/BTA; EB/TPP,PA
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TAGS: [ETRD](#) [EINV](#) [ECON](#) [BEXP](#) [ID](#)
SUBJECT: AMBASSADOR AND TRADE MINISTER SPEAK ON
U.S.-INDONESIAN TIES

REF: A. JAKARTA 2188

[1](#)B. JAKARTA 2351

JAKARTA 00002433 001.2 OF 002

[1](#)1. (U) SUMMARY: Ambassador Hume and Minister of Trade Mari Pangestu made public remarks on U.S.-Indonesian relations before an audience of Indonesian business leaders on August 30th. Ambassador Hume described a strategy for understanding the broader U.S.-Indonesian relationship in the context of three themes: reform, security and "connections." Pangestu spoke positively of Indonesia's trade relationship with the United States and called for increased bilateral trade missions. Pangestu also expressed her views on prospects for a Bilateral Investment Treaty (BIT) and outlined her "building block" approach toward future negotiation of a U.S.-Indonesian Free Trade Agreement. The remarks were made during a reception hosted by the Indonesian Chamber of Commerce and Industry (KADIN). END SUMMARY

Finding the Strategic Center

[1](#)2. (U) Ambassador Hume outlined a framework for the strategic relationship between the U.S. and Indonesia. He described an approach centered on three themes: reform, security and "connections," the last referring to Indonesia's relationships both regionally and within the broader international community (copy of the remarks submitted to EAP-MTS). The Ambassador acknowledged the progress Indonesia has made in the years since the advent of democracy, but noted "there's still work to be done." He also discussed the importance of security issues and affirmed U.S. commitment to regional security cooperation. The Ambassador's speech emphasized Indonesian responsibility for identifying and implementing solutions to the challenges facing the country, but promised continued U.S. commitment and engagement to address these issues.

U.S.-Indonesia FTA: "The Building Block Approach"

13. (U) Dr. Pangestu referenced the recently published study "Toward a U.S. Indonesian Free Trade Agreement" co-funded by KADIN and the U.S. Chamber of Commerce and published by the Peterson Institute for International Economics. She agreed with the study's central conclusion: while an FTA between the U.S. and Indonesia would be beneficial for both parties, Indonesia would have difficulty complying with the investment and intellectual property rights (IPR) provisions. Pangestu outlined a "building block" strategy whereby Indonesia would focus on achieving measurable progress in discrete areas before negotiating a comprehensive trade agreement. Pangestu affirmed her commitment to the U.S. Trade and Investment Framework Agreement (TIFA) describing it as "a good way forward," specifically citing the investment, services and IPR working groups.

The BIT: It's Not You; It's Me

14. (U) Pangestu was cautious about the prospects of negotiating a Bilateral Investment Treaty (BIT). She acknowledged the BIT's "very high standards" and declared that Indonesia will "study in depth and explore" the issue before entering into negotiations. Despite expressing concerns about Indonesia's readiness to commit, she described BIT negotiations as "a target to aim for" that would be considered "stage by stage," beginning with commencement of exploratory discussions.

How Do We Get There From Here?

JAKARTA 00002433 002.2 OF 002

15. (U) Pangestu argued that the investment relationship between the U.S. and Indonesia must be developed "from both sides" and encouraged KADIN to organize more trade missions to the United States "beyond the usual stops to New York and Washington." She complained that Indonesia has not yet seen a substantial increase in U.S. investor interest as measured by "actual, realized investment." Pangestu has been impressed with international scholarship programs and contended that large number of Indonesian students studying in the U.S. "cements people to people relationships" and strengthens trade and investment ties. Lastly, she cited Indonesia's strong relationship with the U.S. Chamber of Commerce and suggested Jakarta as the perfect home for their new Asian headquarters.

HUME